

TONGANOXIE RECREATION COMMISSION

Tonganoxie, Kansas

Financial Statements

For the Year Ended June 30, 2011

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Financial Statements
For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

Tonganoxie Recreation Commission
Tonganoxie, Kansas

We have audited the financial statements of Tonganoxie Recreation Commission, a component unit of the Tonganoxie Unified School District No. 464, Tonganoxie, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Tonganoxie Recreation Commission management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Commission's financial statements for the year ended June 30, 2010. In our report dated January 19, 2011, on these financial statements we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, the Tonganoxie Recreation Commission prepares its financial statements on a prescribed basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the Tonganoxie Recreation Commission's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Tonganoxie Recreation Commission as of June 30, 2011 or the results of its operations, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balance of the Tonganoxie Recreation Commission, as of June 30, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

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The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2010, from which such partial information was derived.

Wing, Hauer & Company

February 20, 2012

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2011

<u>Fund</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 175,559	\$ -	\$ 438,828	\$ 421,893	\$ 192,494	\$ 4,525	\$ 197,019
Special Revenue Fund: Employee Benefits	<u>66,896</u>	<u>-</u>	<u>51,590</u>	<u>67,295</u>	<u>51,191</u>	<u>-</u>	<u>51,191</u>
Total	<u>\$ 242,455</u>	<u>\$ -</u>	<u>\$ 490,418</u>	<u>\$ 489,188</u>	<u>\$ 243,685</u>	<u>\$ 4,525</u>	<u>\$ 248,210</u>

Composition of Cash

Checking	\$ 8,093
Checking - Employee Benefits	30,145
Checking - Money Market	197,993
Checking - Money Market	11,439
Escrow	<u>540</u>
Total Cash	<u>\$ 248,210</u>

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General	\$ 541,208	\$ -	\$ 541,208	\$ 421,893	\$ 119,315
Special Revenue:					
Employee Benefits	64,200	-	64,200	67,295	[3,095]

The notes to the financial statements are an integral part of this statement.

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended June 30, 2011
(With Comparative Actual Amounts For the Year Ended June 30, 2010)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
District Funding	\$ 359,623	\$ 363,231	\$ 363,000	\$ 231
Interest	1,398	1,182	2,200	[1,018]
Athletic Fees	38,872	43,016	58,700	[15,684]
Camps and Clinics	2,125	1,165	-	1,165
Advertising	9,070	11,170	8,000	3,170
Other Programs	15,450	13,312	-	13,312
Miscellaneous	<u>2,602</u>	<u>5,752</u>	<u>2,500</u>	<u>3,252</u>
Total Cash Receipts	<u>429,140</u>	<u>438,828</u>	<u>\$ 434,400</u>	<u>\$ 4,428</u>
Expenditures				
Administration	163,809	173,153	\$ 220,219	\$ 47,066
Programs	56,636	54,004	64,850	10,846
Grounds and Maintenance	100,102	112,597	110,000	[2,597]
Capital Improvements	74,863	82,139	132,139	50,000
Athletics	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>
Total Expenditures	<u>395,410</u>	<u>421,893</u>	<u>\$ 541,208</u>	<u>\$ 119,315</u>
Receipts Over [Under] Expenditures	33,730	16,935		
Unencumbered Cash, Beginning	<u>141,829</u>	<u>175,559</u>		
Unencumbered Cash, Ending	<u>\$ 175,559</u>	<u>\$ 192,494</u>		

The notes to the financial statements are an integral part of this statement.

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget
Employee Benefits Fund
For the Year Ended June 30, 2011
(With Comparative Actual Amounts For the Year Ended June 30, 2010)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts	\$ 51,456	\$ 51,590	\$ 52,500	\$ [910]
Total Cash Receipts	<u>51,456</u>	<u>51,590</u>	<u>\$ 52,500</u>	<u>\$ [910]</u>
Expenditures:				
Employer's FICA	12,983	13,962	\$ 14,500	\$ 538
Retirement IRA	11,359	11,989	12,500	511
Health Insurance	28,817	36,771	33,000	[3,771]
Workman's Compensation	<u>4,038</u>	<u>4,573</u>	<u>4,200</u>	<u>[373]</u>
Total Expenditures	<u>57,197</u>	<u>67,295</u>	<u>\$ 64,200</u>	<u>\$ [3,095]</u>
Receipts Over [Under] Expenditures	[5,741]	[15,705]		
Unencumbered Cash, Beginning	<u>72,637</u>	<u>66,896</u>		
Unencumbered Cash, Ending	<u>\$ 66,896</u>	<u>\$ 51,191</u>		

The notes to the financial statements are an integral part of this statement.

TONGANOXIE RECREATION COMMISSION

Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Tonganoxie Recreation Commission (the Commission) is a component unit of the Unified School District No. 464 (the District). The Commission oversees recreational activities. The District levies a tax and distributes these monies to the Commission. The five members of the governing body are appointed as follows: two by the District, two by the City of Tonganoxie, and one by the District's and City's appointees. The Commission can sue and be sued, but acquisition of real property by the Commission must be approved by the District. The District must approve Bond issuances.

Basis of Accounting

Basis of Accounting. These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Recreation Commission has a GAAP waiver, which allows it to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

TONGANOXIE RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Recreation Commission for the year ended June 30, 2011:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special revenue funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended June 30, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Actual exceeded budgeted expenditures in the Employee Benefit Fund, which is a violation of K.S.A. 79-2935.

TONGANOXIE RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are due on or before December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

NOTE 2 - Deposits and Investments

The Recreation Commission's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county or an adjacent county in which the Recreation Commission is located and the banks provide an acceptable rate for active funds. The Recreation Commission does not have any formal deposit policies that would further limit interest rate, credit or custodial credit risks beyond state statutes.

NOTE 3 - Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant personnel sick leave at 10 days a year up to 40 days, no compensation is paid out for unused sick days. The Recreation Commission allows vacation leave at two weeks per year. The Recreation Commission has not computed or recorded the liability at year end.

NOTE 4 - Long-Term Debt

During the year ended June 30, 2011, the following changes occurred in long term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Certificates of Participation	<u>\$ 614,091</u>	<u>\$ 57,447</u>	<u>\$ 59,669</u>	<u>\$ 611,869</u>

TONGANOXIE RECREATION COMMISSION

Notes to the Financial Statements For the Year Ended June 30, 2011

NOTE 4 - Long-Term Debt (Continued)

Certificate of Participation: As of May 9, 2008, the Commission has entered into an agreement with the City of Tonganoxie to acquire and improve a sports facility. The future minimum payment obligations under this agreement as of June 30, 2011 are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 57,668	\$ 24,471	\$ 82,139
2013	60,378	21,761	82,139
2014	62,894	19,244	82,138
2015	65,452	16,686	82,138
2016	68,113	14,026	82,139
2017	70,849	11,290	82,139
2018	73,763	8,376	82,139
2019	76,761	5,377	82,138
2020	75,991	2,256	78,247
	<u>\$ 611,869</u>	<u>\$ 123,487</u>	<u>\$ 735,356</u>

The agreement between the Recreation Commission and the City was amended on September 14, 2009. The Recreation Commission shall pay the City the sum of \$42,860 every six months for a period of ten years. The new payment amount began on March 1, 2010 and will continue every six months until the end of the lease term.

NOTE 5 - Risk Management

The Recreation Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Recreation Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.